ED 373 208 CE 067 042

TITLE Business Management. Unit 13. Level 1. Instructor Guide. PACE: Program for Acquiring Competence in Entrepreneurship. Third Edition. Research & Development Series No. 301-13.

INSTITUTION Ohio State Univ., Columbus. Center on Education and Training for Employment.

PUB DATE 94

NOTE 28p.; For the complete set, i.e., 21 units, each done at three levels, see CE 067 029-092. Supported by the International Consortium for Entrepreneurship Education, the Coleman Foundation, and the Center for Entrepreneurial Leadership Inc.

AVAILABLE FROM Center on Education and Training for Employment, 1900 Kenny Road, Columbus, OH 43210-1090 (order no. RD301-13 IG, instructor guide $4.50; RD301-13 M, student module, $3; student module sets, level 1--RD301M, level 2--RD302M, level 3--RD303M, $45 each; instructor guide sets, level 1--RD301G, level 2--RD302G, level 3--RD303G, $75 each; 3 levels and resource guide, RD300G, $175).

PUB TYPE Guides - Classroom Use - Teaching Guides (For Teacher) (052) -- Guides - Classroom Use - Instructional Materials (For Learner) (051)

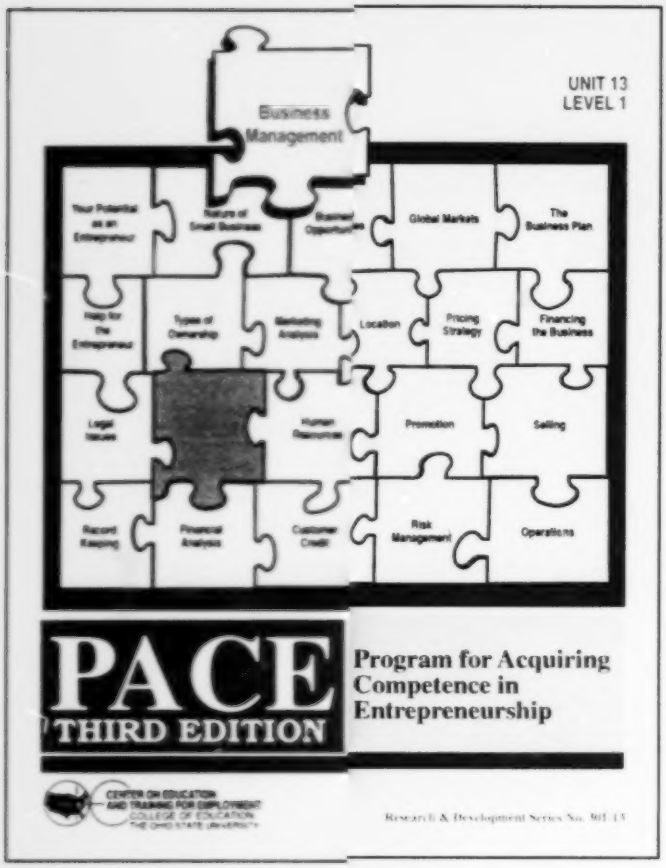
EDRS PRICE MF01/PC02 Plus Postage.

DESCRIPTORS Administrators; Behavioral Objectives; *Business Administration; *Business Education; *Competency Based Education; *Decision Making; *Entrepreneurship; Interpersonal Communication; Learning Activities; *Managerial Occupations; Postsecondary Education; Secondary Education; Self Employment; *Small Businesses; Teaching Guides

IDENTIFIERS *Program for Acquiring Competence Entrepreneurship

ABSTRACT

This instructor guide for a unit on business management in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 1 of learning--understanding the creation and operation of a business. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The student module includes the following: specific objectives, questions supporting the objectives, complete content in the form of answers to the questions, case studies, individual activities, group activities, discussion questions, assessment questions, and list of 13 references. Model assessment responses are provided in the instructor materials. These seven objectives are addressed: explain the role of management in small business; explain how managers spend their time; name the attributes and skills of a leader; explain the steps in decision making; define "business ethics"; discuss the purpose of communication in business; and identify the rewards of management. (YLB)



Objectives:

- Explain the role of management in small business.
- Explain how managers spend their time.
- Name the attributes and skills of a leader.
- Explain the steps in decision making.
- Define "business ethics."
- Discuss the purpose of communication in business.
- Identify the rewards of management.

U.S. DEPARTMENT OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
This document has been reproduced as received from the person or organization originating it.
Minor changes have been made to improve reproduction quality.
Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

INSTRUCTOR GUIDE

Unit 13

Business Management

Level 1

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

BEST COPY AVAILABLE

Objectives	Teaching Suggestions
1. EXPLAIN THE ROLE OF MANAGEMENT IN SMALL BUSINESS	
What are the responsibilities of management?	Open the discussion by showing a chart that lists management responsibilities. Have students express their own opinions on what management activities respectively correspond to planning, organizing, staffing/directing, and evaluating.
2. EXPLAIN HOW MANAGERS SPEND THEIR TIME	
How does a manager spend his/her time?	Have the class think of how managers spend their time. Ask guiding questions to ensure a smooth discussion.
What are the tasks of a manager?	Have students follow Joan's or Bob's Typical Work Week models in the text and fill in a similar table that outlines their own typical work week activities. Try to teach students how to organize their tasks and pay attention to details and priorities.
What are some of the problems that managers face?	Have the class think of what problems managers face. Help students understand what weaknesses managers must work on.
What are leadership styles?	Use a chalkboard or an overhead to show the three basic management styles. Use simple examples to illustrate these styles and discuss.
3. NAME THE ATTRIBUTES AND SKILLS OF A LEADER	
What are some attributes and skills of leaders?	Run a contest between teams of students. Each team is tasked to recall as many attributes and skills common to leaders as possible.
4. EXPLAIN THE STEPS IN DECISION MAKING	
Why are decisions so important?	Have students give examples from their own experience to show the importance of decision making.
What are the steps in decision making?	Explain to students the five steps of the decision-making process by using the example provided in the text or your own example. Have students follow the five steps with their own examples.
How important is it to use each step in this decision-making process?	Use other examples to illustrate the importance of each of the steps in the decision-making process. Repeat the activity and skip individual steps of the process. Have students assess the different results.

Objectives	Teaching Suggestions
5. DEFINE "BUSINESS ETHICS"	
What are business ethics?	This is a good opportunity for students to be creative. Give situations involving business ethics issues to small groups of students. Have them debate/discuss the issues.
6. DISCUSS THE PURPOSE OF COMMUNICATION IN BUSINESS	
What purpose does communication have in business?	Create a simple chart to demonstrate the importance of business communications. Teach students how to improve written, verbal, and nonverbal communication skills.
7. IDENTIFY THE REWARDS OF MANAGEMENT	
What rewards does management offer?	Ask students to express their own understanding of management rewards.

MODEL ASSESSMENT RESPONSES

1. Managers must be able to organize, schedule and plan employees' work on a daily basis, hire and train employees, set production levels, and control the quality of products and services.

2. There are three basic leadership styles: (1) hands-off, (2) autocratic/directive, and (3) worker involvement.

   The hands-off leadership approach is characterized by employees' freedom of action. Managers select employees according to their skills, assign them various tasks and let them choose their own way to perform these tasks. This approach cannot correct undesired behaviors and is not recommended for employees who do not feel they are an integral part of the organization.

   The autocratic/directive style uses close management supervision and attempted control of all factors in organizations. It is designed to correct employees' undesired behaviors. However, this style does not take advantage of the employees' creativity and inventiveness.

   The worker involvement approach seeks a two-way communication between the manager and employees. The manager selects employees according to their skills and capabilities, assigns tasks to them, and allows them to perform them the way they choose. The manager controls and monitors only key activities.

3. The planning stage includes all activities that must be performed prior to target actions, such as opening a new business, introducing a new product, hiring new employees, etc. Organizing activities include scheduling, assigning work load, and establishing a firm's code of policies. The staffing process involves hiring, laying off, and training employees. Controlling and evaluating employees' work ensures appropriate monitoring and control by managers to keep the business profitable. Production management includes setting production levels and quality standards, production job scheduling, equipment and machinery technological upgrading, etc.

4. There are five steps in a decision-making process: (1) identifying the problem/objective, (2) defining alternative solutions, (3) gathering facts about the alternatives, (4) evaluating the alternatives, and (5) formulating the plan of action.

By using this step-by-step procedure (or variations of it) many bad decisions can be avoided. Sometimes it is difficult to identify the problem or to find alternative solutions if one does not make a list of alternatives or does not gather enough information about the alternatives.

It is not always a good idea to do things on your own. Professional consultants offer managers their experience and expertise to help solve business problems.

5. Business ethics are a key factor to business success. Even though some unethical practices are not illegal, they will project a bad business image. The business community perceives unethical practices as unacceptable and eventually excludes unethical behavior from the business environment.

   Ethical issues link legal and moral aspects. Ethics affect customers, employees and yourself; unethical behavior may lead to loss of both employees and customers as well as self-respect.

6. To communicate in business is to share messages with other people involved in the business activities. In order to avoid business miscommunication, managers should develop good oral and written communication skills. They must listen well to what others say, use appropriate words in both verbal and written communication, use feedback, and have a proper body and nonverbal language.

   Good communication skills are critical to employee and customer relations. A manager with good communication skills is able to convey messages, desires, thoughts and orders clearly to avoid wasting energy, time and money.

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.
Level 2 — Planning for a business in your future.
Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department, the
Center on Education and Training for Employment, 1900 Kenny Road, Columbus, Ohio 43210-1090
(614) 292-4353, (800) 848-4815.

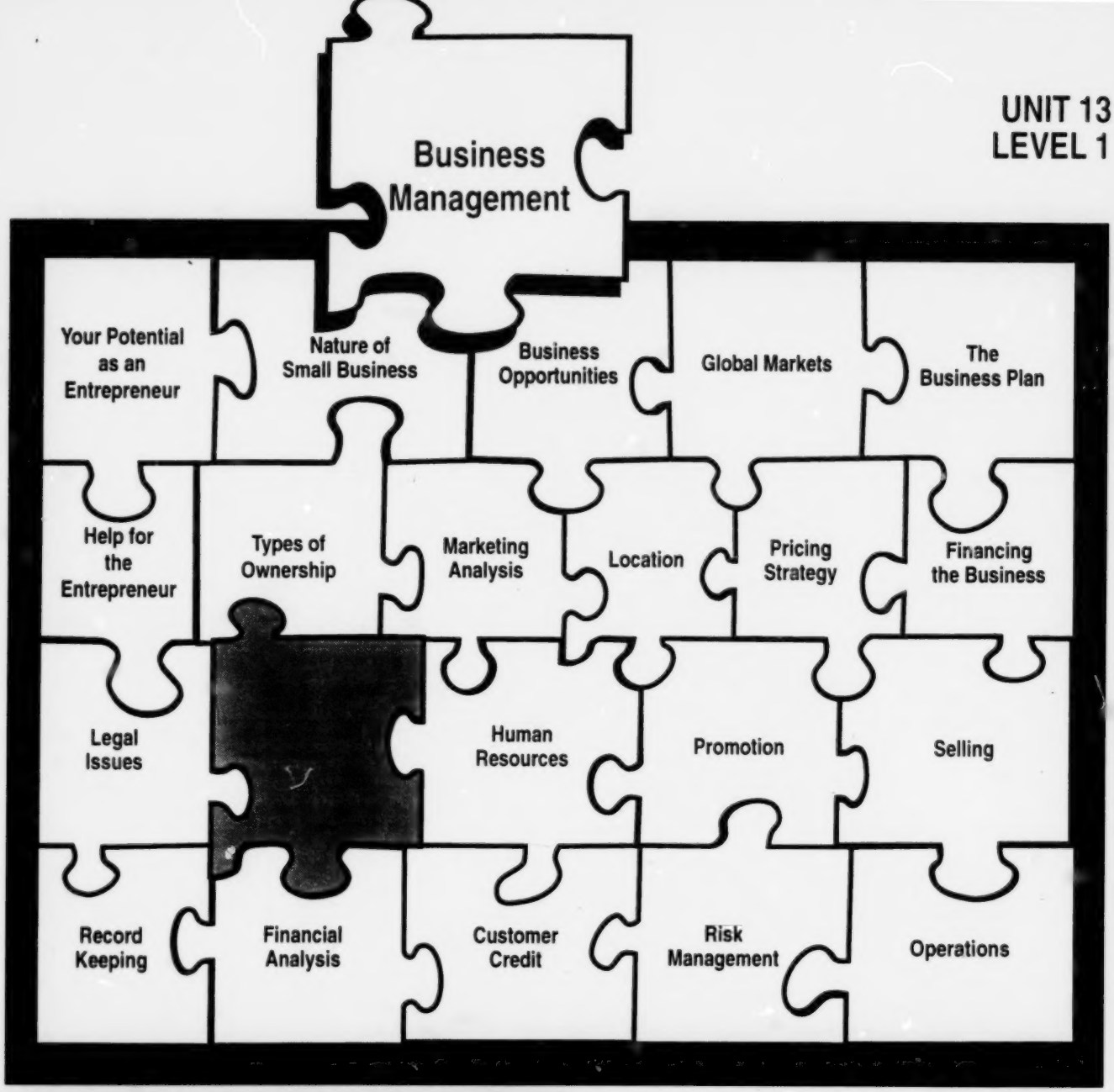
Support for **PACE, Third Edition** provided in whole or in part by:

International Consortium for Entrepreneurship Education
and
International Enterprise Academy
Center on Education and Training for Employment
The Ohio State University

The Coleman Foundation

Center for Entrepreneurial Leadership Inc.
Ewing Marion Kauffman Foundation

UNIT 13
LEVEL 1



PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

CENTER ON EDUCATION
AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 301-13

BUSINESS MANAGEMENT

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

   Business ethics
   Communication
   Decision making
   Evaluation
   Leadership
   Management
   Organizing
   Planning
   Production
   Staffing

Copyright © 1994, Center on Education and Training for Employment,
The Ohio State University. All rights reserved.

BUSINESS MANAGEMENT

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

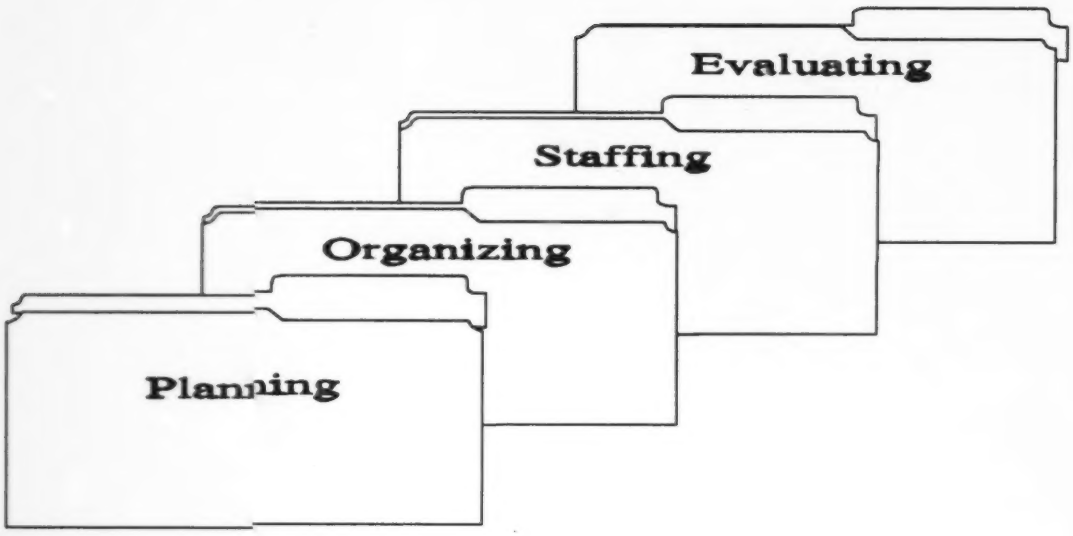
- explain the role of management in small business,
- explain how managers spend their time,
- name the attributes and skills of a leader,
- explain the steps in decision making,
- define "business ethics,"
- discuss the purpose of communication in business, and
- identify the rewards of management.

WHAT IS THIS UNIT ABOUT?

Some people have been successful in attaining their dreams of owning their own businesses; others have not. No matter the outcome, if you could talk to these people, they all would likely agree with this statement:

> *Almost all small business successes are attributed directly or indirectly to good management practices.*

Why is management so important? What do managers do? Do managers have special skills? The purpose of this unit is to help you answer these very basic questions. You will learn about the responsibilities of management. You will have the opportunity to examine a typical week in a manager's life and look at the common problems often faced by managers. You will also learn about the importance of leadership and decision making. Finally, you will have the opportunity to explore the roles of ethics and communication in business.



WHAT ARE THE RESPONSIBILITIES OF MANAGEMENT?

In order to understand management, you need to know the tasks for which a manager is responsible. In simplest terms, a manager must plan and guide the work of others so that the business can reach its goals. This requires the manager to have good planning skills. This includes the ability to set goals and determine the objectives, or steps, necessary for reaching those goals. After plans are made, the work must be organized and scheduled. Resources for carrying out the work must be identified, and employees must be hired and trained. One significant task of the manager is to evaluate all work to ensure that quality and quantity are satisfactory. If the work is not satisfactory, plans must be amended and new plans implemented. Finally, the ability to plan, organize, hire, train, schedule, and evaluate are critical to a manager's success.

The following example illustrates the responsibilities of management in a small midwestern travel company:

Planning. A small midwestern travel company decides to introduce the New England Colors Tour. The package features a tour of the surrounding countryside to observe the beautiful fall colors, dinner at the famous Roadside Tavern, an overnight stay at the Wayside Inn, and breakfast at Maude's. This package will be marketed to senior citizen groups.

Organizing. A travel itinerary is developed. Rooms are reserved. Motor coaches are booked. Potential groups are invited to participate.

Staffing. Tour guides and escorts are hired and trained, and assignments are made.

Evaluating. The tours are conducted. Escorts make notes about the trip's highlights. At the end of the tour, participants evaluate the tour.

HOW DOES A MANAGER SPEND HIS/HER TIME?

Joan and Bob are managers of very different businesses. Joan owns and manages a consignment craft shop. Bob owns and manages a small construction company. Although they spend different amounts of time on different aspects of their jobs, their responsibilities are basically the same: they both plan and organize the work, staff their businesses and make job assignments, and monitor and evaluate the work. In addition, they spend a certain amount of time on production, or non-management work. Figures 1 and 2 show the amount of time Joan and Bob spend on different tasks during a typical work week.

Most businesses have many projects (tasks) occurring in various stages at the same time. If you are thinking about owning your own business, here are some questions that you will want to ask yourself.

- Am I capable of remembering details from one job to the next?
- Can I calmly listen to a worker who interrupts my work to discuss a problem?
- Do I become nervous and irritable under pressure?
- Can I work on several things at one time, or am I likely to concentrate so hard on one thing that I won't recognize when something else needs attention?

Just what is it that an entrepreneur does that is so vital to success? Simply stated, the manager's primary task is to plan and direct the work of others in a way that allows the business to reach its goals. As an owner of a small business, it is very important to note that you will be responsible not only for setting the goals for the business but also for planning, directing, controlling, and evaluating. To do this, managers go through the steps of *planning*, *organizing*, *staffing*, *directing*, *controlling*, and *evaluating*. Decision making skills are often the factors that make the difference between a manager's success or failure.

Consider Joan and Bob's example on the next page to illustrate how these *management functions* work in practice.

WHAT ARE THE TASKS OF A MANAGER?

Although Joan and Bob are on very different schedules, their work has many things in common (note that each performs a significant number of non-management or "production" tasks). Each of them—

- perform a variety of duties each week,
- give and receive a lot of information,
- use their own judgment and are responsible for their decisions, and
- guide their companies toward their business goals.

Management Function	Joan	Bob
Planning	Joan plans to change one of her suppliers. The new supplier will provide a broad line of craft arts objects.	Bob plans to enter a new contract with a real estate company. The contract is related to a four-month renovation work in a downtown office building.
Organization	Joan calls on potential suppliers. She obtains price lists and credit conditions. She chooses the supplier and calls back.	Bob develops a detailed renovation plan. Potential workers are identified.
Staffing/ Directing	Joan designates two of her employees to make an inventory of the arts objects in the store. A new order is placed with the new supplier.	Bob hires ten new workers and designates the team leaders. He also appoints two of his most skillful employees to help him train the new workers.
Controlling/ Evaluating	The new order comes in. Joan supervises how the new items are displayed. She makes notes on products and packaging. The notes will help her evaluate the new suppliers and plan for new orders.	The renovation work starts as scheduled. The team leaders keep the operation going smoothly. Bob visits the job site every day. He makes notes and gives directions. The notes will help him evaluate the work assignment and plan for new operations.

The following examples of Joan and Bob's weekly work schedules illustrate that managers do in fact share common activities. Most entrepreneurs perform the following:

1. Planning work
2. Organizing people
3. Staffing the business and directing employees
4. Controlling and evaluating work
5. Production work (when you are conducting non-management work on behalf of the business)

As an entrepreneur, you must be a good *planner*. If you are not, your success will probably be short-lived. When managers make a plan, they set up objectives or goals. They set up policies, procedures, methods, or programs to accomplish these goals. Plans must be constantly reviewed and updated. However, the plans themselves do not guarantee success.

After plans are made, the work must then be *organized*. You must identify resources and the number of people needed to carry out the plan.

Monday	Tuesday	Wednesday	Thursday	Friday
Make work assignments (2)	Make work assignments (2)	Take new prints to state capital for approval (5)	Make work assignments (2)	Make work assignments (2)
Make sales calls on prospective clients (5)	Pick up tax forms (5)	Lunch	Meet with sub-contractor (3)	Visit Job Site 1 (3,4)
Lunch	Visit Job Site 3 (3,4)	Make phone calls (5)	Place material order for new building (2,5)	Plan next week's work (1)
Visit Job Site 1 (3,4)	Lunch	Go through mail (5)	Talk with sales-person (4)	Lunch
Plan work assign-ments (1)	Return calls (5)	Figure and submit bid for job (2)	Lunch	Make materials list for next week and place orders with suppliers (2,5)
Go through mail (5)	Check prints for new job (4)	Check time sheets (4)	Visit Job Site 3 (3,4)	Go through mail (5)
	Go through mail (5)	Plan work assignments (1)	Visit Job Site 2 (3,4)	Call service per-son for copy machine (5)
			Return calls (5)	Call ad agency (5)
			Go through mail (5)	Plan work assignments (1)

Figure 1. Joan's Typical Work Week

1,2,3,4,5—represent (Planning, Organizing, Staffing/Directing, Controlling/Evaluating, Production) respectively. Note the relatively small amount of time that a business owner spends on the four strictly *management functions*.

Monday	Tuesday	Wednesday	Thursday	Friday
Tend shop (5)	Tend Shop (5)	Tend Shop (5)	Tend Shop (5)	Tend Shop
Tidy shop (5)	Make craft items (5)	Plan new display (1)	Tidy Shop (5)	Set up new display (5)
Go through mail (5)	Go through mail (5)	Go through mail (5)	Go through mail (5)	Go through mail (5)
Inventory (4, 5)	Lunch	Lunch	Inventory (4, 5)	Lunch
Lunch	Afternoon off	Bookkeeping (4)	Lunch	Go to bank (5)
Plan the week (1)	Give evening talk to club (5)	Correspondence (5)	Call handcraft workers (3)	Design ad for next week's paper (5)
Go to bank (5)		Go to bank (5)	Pick up new consignments (5)	
Call handcraft workers (3)		Pay bills (5)	Pick up supplies for display (5)	
Pick up new consignments (5)			Update books (4, 5)	
Order supplies (5)			Talk with office equipment salesperson (2)	
Update books (4, 5)				

Figure 2. Bob's Typical Work Week

The next step is *staffing* and *directing*. Staffing means hiring and training the employees the business needs. Directing means motivating employees to work efficiently and effectively to get the job done.

Once the plan is put into action, the quality and quantity of all results must be *evaluated*. If the results are satisfactory, work can continue. If problems arise, changes must be made and alternative plans may have to be developed. You must make adjustments in personnel, equipment, policies, or procedures whenever they are needed.

WHAT ARE SOME OF THE PROBLEMS THAT MANAGERS FACE?

Unfortunately, a manager's work is even more varied and complex than the preceding examples indicate. Each day, a manager deals with many different projects at different stages. A manager may be planning one project, organizing another, and supervising two more in progress. Often evaluation is informal. Even though the manager may supervise and direct a number of jobs at various stages at once, each project in itself follows the management pattern closely.

Are you capable of:

- Dealing with many projects during each day,
- Remembering details from one project while you mentally "change gears" and concentrate on solving problems in another project, and
- Listening calmly to a person who interrupts your work on one project to report a serious snag in another project?

Or do you react to such pressures by:

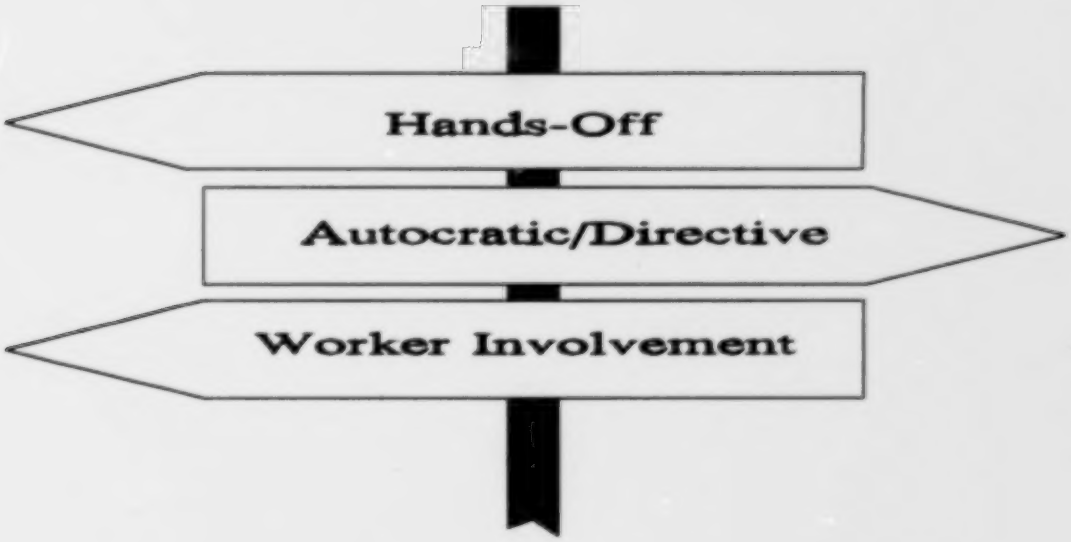
- Becoming nervous and irritable,
- Criticizing the person presenting the project so that he or she will go away and not bother you,
- Forgetting project details and responsibilities, and
- Concentrating so hard on one project that you can't recognize when another needs some of your time?

If you exhibit these symptoms when working on a tight schedule with more than one project, you will need to evaluate and pinpoint those areas you can improve.

Probably you will like doing some *management functions* more than others. You will perform certain tasks better than others and may tend to neglect critical functions. Therefore, you will need to develop expertise in your "weak" areas or seek *managerial assistance.*

WHAT ARE LEADERSHIP STYLES?

Leadership styles refer to the alternative ways in which managers carry out their decision-making responsibilities in relation to their employees. Each manager's style varies from day to day as new and different problems are encountered and a wide range of business goals are approached. However, it is worth your effort to develop an insight into which styles can work best for you and your specific mix of employees, problems and points in the decision-making process. There are three labels that represent common leadership approaches:



Hands-Off

This method focuses on the manager's responsibilities for the initial stages of the decision-making process. The manager selects employees according to their skills and gives them the freedom to work unhindered. This style does not provide an opportunity to correct behaviors that do not meet your expectations. Thus, some employees may not feel part of the larger organization.

Autocratic/Directive

This style provides ample opportunity to adjust and correct behaviors. Emphasis is on rational control of all aspects of the decision-making process. Employees may not be committed to goals of the organization. This method does not benefit the employee's ideas and contributions. In addition, often it does not allow for effective employee feedback.

Worker Involvement

This method seeks two-way communication flow between manager and employees. The manager selects only key variables to control and leaves most tasks with employees to perform. Also, the manager solicits employees' input at each stage of the decision-making process.

As the business grows, an entrepreneur often finds that the style that suited the early stages of the enterprise no longer matches the needs of the organization. At that point in time, the entrepreneur might need to change his/her management style.

WHAT ARE SOME ATTRIBUTES AND SKILLS OF LEADERS?

Leadership consists of establishing direction, developing strategies, and inspiring and motivating others to achieve a goal or goals. Most research shows that leadership is a combination of skills and attributes. Following are 20 skills and attributes found to be common among leaders:

1. A positive attitude
2. Good interpersonal skills
3. Assertive
4. Ability to manage stress and conflict
5. Good work skills
6. Good work habits
7. Ability to motivate others
8. Ability to delegate work
9. Sense of fairness
10. Consistent decisions
11. Good listener
12. Willingness to learn from others
13. Sense of humor
14. Responsible
15. Empathetic
16. Risktaker
17. Personal and professional integrity
18. Dependable, reliable, trustworthy
19. Confident
20. Creative, original, visionary

If you choose to become the owner of a business, you may find it very fulfilling. By doing your best, you can help other people reach their potential and you can help make your business a good place in which to work. You may not realize it, but you may already have many leadership skills and qualities. Determine your leadership potential by seeing how many of the following statements describe you—

- I can lead others with confidence.
- I could discipline those under my leadership.
- I am good at public speaking.
- I can make decisions.
- I seek responsibility.
- I am self-motivated.
- I do not have to conform in group situations.
- I have compassion for others.

WHY ARE DECISIONS SO IMPORTANT?

Decision making is an important part of daily life. For the owner of a small business, the ability to make decisions is vital. If business owners make good decisions, their businesses probably will be successful. If managers make bad decisions, their businesses may fail.

Before looking at how entrepreneurs make decisions, it might be helpful to examine how most people make everyday decisions. Suppose you want to help your friend, Susan, decide how to get to work every day.

Which of the following would you advise her to do:

- Buy a car?
- Find a car pool?
- Ride public transportation?
- Walk?

cess will help you identify your options and then make the best decision.

WHAT ARE THE STEPS IN DECISION MAKING?

The usual decision-making process involves five steps. Look at each step with Susan's problem in mind.

If you felt you did not have enough information to make a decision, you were right. Good decisions depend on knowing everything you can about a problem. Decisions made without enough information are often disappointing to everyone concerned.

In making a decision, many people do not explore all the alternatives available. Susan's problem is an example. Four options have been mentioned. But perhaps there are more. Before you can make an informed decision on the problem, you need more information. A decision-making pro-

1. **Identify the Problem (or Objective).** Before you can make any decision, you must know what the problem is. Whom does the problem affect? Where does it occur? What are the circumstances?

Consider Susan's problem of getting to work. Susan lives in California, five miles from the factory where she works. Until recently, Susan had been riding to work with a neighbor, but now the neighbor is moving to another part of town. Susan must get her own transportation.

She doesn't want to spend the cash necessary to buy, insure, and operate a car. Neither does she find the bus schedule in her outlying residential area convenient. Based on this information, you can now identify Susan's problem more accurately: she needs low-cost, dependable transportation for a trip of ten miles per day to and from work.

2. **Define Alternative Solutions**. The next step in the decision-making process is to identify alternatives or options. For our example, exactly what choices does Susan have in getting to her job? She has the following options available:

   - She could walk or run.
   - She could buy a bicycle.
   - She could buy a motorized bicycle.
   - She could buy a used car.
   - She could buy a new car.
   - She could take a bus.
   - She could hitchhike.
   - She could take a taxi.
   - She could join a car pool.
   - She could advertise for a ride to work.
   - She could move within easy walking distance of the factory.
   - She could look for a new job closer to her present home.
   - She could share her apartment with another person who had a car and worked at the factory.

Can you think of any other options or alternatives? If so, add them to the list. In decision making, it is important to identify as many alternatives as possible. Sometimes an unlikely idea can stimulate you to think of the perfect solution to the problem.

3. **Gather Facts about the Alternatives**. Some alternatives are better than others. Anyone can omit the really poor options, but it takes some study to differentiate between those that seem good.

In Susan's case, she should attempt to find the exact cost of each option. She should also consider other resources she might need for each one. For example, does she have time to walk to and from work? Is her current apartment large enough to accommodate a roommate? These are just a few of the things Susan will want to think about before she can make an informed decision.

4. **Evaluate the Alternatives**. A workable alternative for one person may be a disaster for another. People are different in their likes, dislikes, and values. Differences or individual values must be considered and thoroughly evaluated in formulating a solution. For example, the option Susan selects will probably be different from the one you might choose. Each alternative needs to be evaluated in terms of its possible outcomes.

In this example, Susan decided to buy a motorized bicycle. This inexpensive but dependable mode of transportation could easily get her to work in ten minutes. After work, she could pedal part of the way home and get the exercise she needs to stay physically fit.

5. **Formulate a Plan of Action**. A plan of action must be made and implemented before the decision-making process is complete. Merely deciding on an action does not make it take place. You must plan exactly what to do to make your decision work and then do it.

Before Susan's plan could work, she had to do some comparative shopping and buy the motorized bicycle. Then Susan had to check the legal requirements to find out if a title and license were needed. She also had to plan to buy a lock and insurance. In addition, Susan wanted a carrier or knapsack for her purse, her lunch, and any other personal belongings she might wish to take to work. Finally, she had to choose the best route with the least traffic to and from work each day. All these elements formed her *plan of action.*

Susan used the decision-making process to make an informed decision that fit her lifestyle. At times you might want to use this procedure in your personal life. This organized method of making decisions is very important to entrepreneurs in running their businesses.

HOW IMPORTANT IS IT TO USE EACH STEP IN THIS DECISION-MAKING PROCESS?

Many times entrepreneurs can turn to experts on their staff for help in decision making. In a small business, however, managers must make most decisions by themselves. While this responsibility falls on the owner/manager, it is crucial that he/she be willing to obtain the *assistance* from *objective professional advisors* drawn from outside the business. These advisors can be drawn from business service professionals, such as accountants and attorneys, business association members, as well as investors or volunteer counselors drawn from local, state or federal business assistance programs (see your PACE Resource Guide for specific options and contact information). **Don't** always try to "go it alone!"

Often managers find that identifying the real problem is the hardest part of decision making. What appears to be the problem may be only a symptom of the problem. For example, the problem might appear to be laziness and slow production on an assembly line, when, in fact, it could be a personality conflict between workers and their supervisor. Accurately defining the problem is critical to making the "right" decision.

Most successful managers develop several alternative solutions. The more imaginative and open-minded you are, the more alternative solutions you can identify. The number of alternatives is limited only by your imagination. For example:

The management of Manufacturers, Inc. could identify only one alternative for their problem. Their problem was a plant so obsolete that it could not compete with newer plants. Managers felt their only alternative was to build a modern plant nearby. Can you think of other alternatives these managers could have considered? Below are some suggestions:

- What about updating existing facilities?
- What about renting new premises?
- What about consolidating with another plant?
- What about building a new location closer to the source of raw materials?
- What about buying ready-made parts and assembling them in the old plant?
- What about converting from manufacturing to distribution of products?

These and other alternatives could probably have been identified had the managers of Manufacturing, Inc., used their imaginations.

When managers gather facts and evaluate alternatives, they must match the amount of time spent to the importance of the problem. For instance, it does not make sense to spend weeks gathering information on what kind of typewriter to buy. On the other hand, major decisions could involve large amounts of money or the development of company policies that will affect many of the company's operations. These decisions deserve considerable time and study.

Even after much study, however, you may still be left with more than one alternative from which to select. If these are not very different, you may have to make an "educated guess." To make educated guesses, managers rely on their experiences. Other times they rely on their intuition or "hunches." They may have a strong feeling that one of the decisions is better than the other. They select the decision that feels right.

As these decision-making alternatives are being developed, you need to consider alternate sources of information regarding the process. For example, your employees are a vital source of options and information regarding each alternative. Other resources that good managers can employ include your customers and suppliers.

Once the decision is made, you must develop a plan and a set of measurable objectives to implement the decision. A person or team responsible for carrying out these steps must also be chosen.

WHAT ARE BUSINESS ETHICS?

In addition to your responsibility to make a profit, in our society you as an entrepreneur, have a broader responsibility to a number of groups within your community. Ethical business practices include assuring that the highest legal and moral standards are observed in your relationships with the following community segments:

- Customers
- Suppliers and business associates
- Employees
- General public (neighbors and the physical environment)

Fair and equitable treatment of each of these groups is not only "good business" but it will assure that you and your employees make a lasting contribution within your community. Ethical business practices are best developed by example. That is, you must lead with "above board" practices if you expect your employees to follow.

You need to be especially concerned about the following unethical practices:

1. False or misleading advertising.
2. Fair treatment of suppliers.
3. Gift giving or receiving among your sales or purchasing staff and customers or suppliers.
4. Income and expense reporting distortions (cash business transactions).
5. How your employees represent themselves (and your business) to customers and the general public.

You will need to develop a formal (written) code of ethics covering the above and any areas specific to your industry as one of your first orders of business. It is crucial that you involve all of your employees in the development of this code.

WHAT PURPOSE DOES COMMUNICATION HAVE IN BUSINESS?

Communication is the process through which one person shares a message with another person. Approximately 90 percent of our waking hours are spent communicating with someone else, yet communicating is a skill that is often underdeveloped. Being able to use a variety of communication skills appropriately can open doors to success in life.

In the business environment, being able to communicate ideas and understand others is a basic factor in developing and sustaining relationships. In business, communication commonly occurs between the following individuals and groups:

- manager and employees
- employee and customer
- manager and supplier
- manager and banker/investor
- employee and employer
- manager and government representatives
- manager and community professionals

To communicate successfully with these individuals and groups, it is very critical that the manager of a business develop no less than the basic communication skills.

Listening. This communication skill is often overlooked. It is one of the most difficult skills to learn. Listening is not the same as hearing. Both hearing and listening involve the ear, but listening involves understanding what is heard. Listening can be improved with practice.

Verbal Communication. This refers to the responsibility of a speaker to use the most appropriate words, phrases, and sentences in order to send a clear message to the listener.

Written Communication. This form of communication is used in office memos, reports, business letters, and so forth. A way to improve writing skills is to do more writing in the form of reports and letters. Also, reading newspapers and books can improve writing skills.

Feedback. Feedback is the response a person gets to a message that has been sent. Feedback assures the listener that she or he understands the speaker's message. In two-way communication, the speaker and the listener both provide feedback. In one-way communication, the speaker receives the feedback. Misunderstanding often occurs in one-way communication.

Body Language or Nonverbal Communication. This involves communicating a message through gestures and body movements without using words. A person's body language often reveals the feelings behind a message more clearly than spoken words.

Finally, good communication often breaks down when barriers exist. Common barriers include differences of opinions, missed meanings, physical problems, shyness, and tuning out or selective listening. The following examples indicate a breakdown in communication:

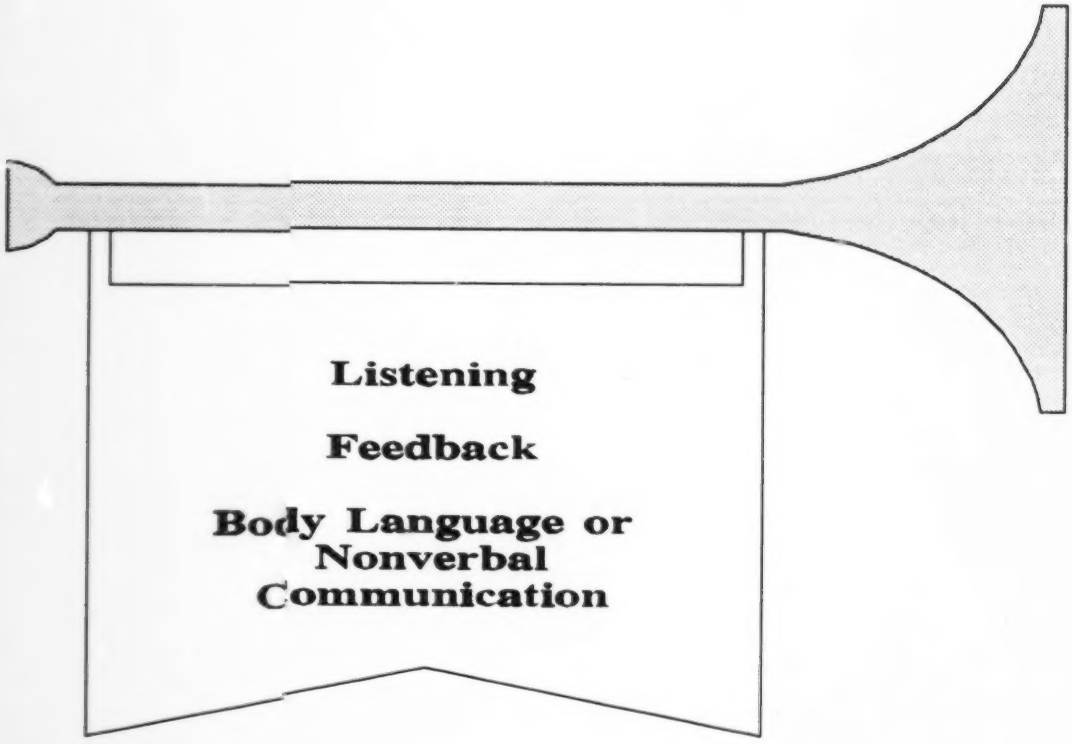
- I thought you wanted me to start that new job after I finished this one.
- How was I suppose to know you were unhappy enough to quit your job?
- How was I supposed to know you meant London, Ontario?
- You can't trust a word he says; he changes his mind all the time.

WHAT REWARDS DOES MANAGEMENT OFFER?

Managing a business does offer rewards. One important reward for many entrepreneurs is the personal satisfaction realized from the successful operation of their business because of *their* decisions.

A second reward is that entrepreneurs are able to exercise *all* of their managerial skills and talents, not just those skills required to do a single job. An individual's self-respect and self-reliance are thus strengthened.

A third reward is the opportunity to deal with a wide variety of people on different levels. Entrepreneurs deal daily with customers, employers, suppliers, community representatives, and many others. Also, they often enjoy greater prestige within their community than do salaried managers.



Finally, you need to consider the financial aspect of becoming a business owner. While the potential for great financial rewards are present, you must determine if the investment of your time and money is sufficiently rewarded by a combination of monetary and nonmonetary rewards.

In summary, managing a small business poses both problems and rewards. Managing a small business offers a satisfying way of life, a feeling of independence, and the opportunity to reap the profits from your efforts.

Managing is probably the most challenging and rewarding job in any business. Managing requires that you be accountable for your actions. Managers are held responsible for the work of everyone they employ, for company operations, and for all the decisions made. As a manager, you will need to plan, organize the work, motivate employees to carry out the tasks, and finally, evaluate the success of the plan.

ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

One of the neighbors on your block has hired you to clean out her garage. You are the manager. Using the five **functions of management**, make out a schedule which could be used to show this neighbor how you will manage the project before beginning work.

B.

Plan your school schedule for the next quarter or semester. Did the five steps of decision making help guide your thinking?

GROUP ACTIVITIES

A.

Work in teams of four to six. Each team needs to make a decision about what to do for the prom committee (planning, budget, decorations, food, music, tickets, etc.). The team follows through on the first four steps of decision making but cannot come to a consensus on step five, **the plan of action**. It is now only one week until the prom. What does your team need to do?

Compare the lists of team members. How do they differ? Did anyone arrive at unique and creative responses that others did not identify? Are there others that no one has mentioned?

After considering all lists, decide on the three most appropriate alternatives and report these findings to the class.

B.

Work in teams of four to six. Each group member should think of an example of a business experience which represents poor business ethics. Write the example on a 3 X 5 note card. The group leader will ask each person to present their examples. Then organize the cards on a bulletin board by type of problem. Discuss the reasons and what may be the result of such business practices.

20

CASE STUDY

A school club decided to operate a grocery delivery service for a local market over the summer break. Peggy Meskil has been put in charge of the project.

To begin the project, Peggy made a list of all of those who could work and the hours they were available. Then, she made a schedule for reporting and ending times for all student workers and gave everyone copies.

To Peggy, scheduling seemed to be a waste of time because everyone wanted to work and each student made a schedule based on the available hours they could work. Everyone would work together since the money earned would pay for school projects for the coming year.

Two weeks into the project, the club began to experience problems in having people show up when scheduled. Student workers had valid excuses but sometimes failed to call and let the store owner know they would not be in to make deliveries. This resulted in a problem with the owner and problems within the group over those who worked and those who did not.

Even though there were hard feelings between students at the end of the project, Peggy evaluated it as a success. The club had earned nearly $500.

DISCUSSION QUESTIONS

1. Would you agree with Peggy's evaluation of the project? Explain.
2. How could Peggy have avoided the problems she faced? Be specific.
3. What valuable lesson did Peggy learn?
4. What would you have done if this was your project?

ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Why must good managers have special skills?

2. What are the different leadership styles and how do they differ from one another?

3. The functions of management include planning, organizing, staffing/directing, controlling, and production. Define each one.

4. Define the five steps in decision making. Why is it important to follow these five steps? Should you try to "go it alone" in making decisions?

5. Are business ethics a requirement to stay in business? Are business ethics important to the customer? To the employee? To you?

6. What is business communication? What are some important ways to ensure against communication barriers? Why is it important for a manager to have good business communications with employees and customers?

REFERENCES

Curtin, Richard T. *Mastering the Basics of Small Business.* New York, NY: John Wiley & Sons, 1982.

Ferner, J. D. *Successful Time Management.* New York, NY: John Wiley & Sons, 1980.

Golen, S. Effective Business Communication. U.S. Small Business Administration Management Aids Number 2001, 1988.

Hodgetts, R. M. *Effective Small Business Management.* New York, NY: Academic Press, 1982.

Kuratko, D., and Hodgetts, R. *Entrepreneurship: A Contemporary Approach.* New York, NY: The Dryden Press, 1989.

Kreitner, R., and Kaniki, A. *Organizational Behavior.* Homewood, IL: Irwin, 1989.

Longnecker, J. G., and Moore, C. W. *Small Business Management,* 8th ed. Cincinnati, OH: South-Western Publishing Company, 1990.

Mitchell, T., and Larson J. *People in Organizations.* New York, NY: McGraw Hill, 1987.

Poza, Ernesto J. *Smart Growth Critical Choices for Business Continuity and Prosperity.* San Diego, CA: Jossey Bass Publishers, 1993.

Scarborough, N., and Zimmerer, T. *Effective Small Business Management,* 3rd ed. Columbus, OH: Merrill Publishing, 1991.

Schroeder, R. G. *Operations Management,* 2nd ed. New York, NY: McGraw-Hill Book Company, 1985.

Steinhoff, Dan. *Small Business Fundamentals.* New York, NY: McGraw-Hill Book Company, 1982.

Stress, R. M. *Introduction to Organizational Behavior.* New York, NY: Harber & Collings, 1991.

PACE

Unit 1. Your Potential as An Entrepreneur
Unit 2. The Nature of the Small Business
Unit 3. Business Opportunities
Unit 4. Global Markets
Unit 5. The Business Plan
Unit 6. Help for the Entrepreneur
Unit 7. Types of Ownership
Unit 8. Marketing Analysis
Unit 9. Location
Unit 10. Pricing Strategy
Unit 11. Financing the Business
Unit 12. Legal Issues
⇨ Unit 13. Business Management
Unit 14. Human Resources
Unit 15. Promotion
Unit 16. Selling
Unit 17. Record Keeping
Unit 18. Financial Analysis
Unit 19. Customer Credit
Unit 20. Risk Management
Unit 21. Operations
Resource Guide
Instructor's Guide

Units on the above entrepreneurship topics are available at the following levels:

* Level 1 helps you understand the creation and operation of a business
* Level 2 prepares you to plan for a business in your future
* Level 3 guides you in starting and managing your own business